

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of New Buffalo	County Berrien
Fiscal Year End 6/30/06	Opinion Date 9/28/06	Date Audit Report Submitted to State 12/4/06	

We affirm that:

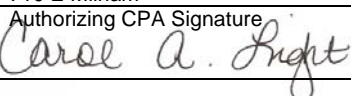
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|-------------------------------------|--------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo P.C.			Telephone Number 269-329-7007	
Street Address 710 E Milham		City Kalamazoo	State MI	Zip 49002
Authorizing CPA Signature 		Printed Name Carol A. Light		License Number 1101020083

**City of New Buffalo
New Buffalo, Michigan**

**Annual Financial Statements
and
Auditors' Report**

June 30, 2006

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City of New Buffalo
List of Elected and Appointed Officials
June 30, 2006

City Council

Bob Westergren	Mayor
William Geisler	Major Pro-Tem
James Oselka	Councilman
Gary Ramberg	Councilman
Jack Kennedy	Councilman

Other Officers and Officials

Tom Johnson	City Manager
Joan Weishaupt-Jones	City Clerk
Sue Rogers	City Treasurer

Independent Auditors' Report

Members of the City Council
City of New Buffalo
New Buffalo, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of New Buffalo as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Buffalo as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of New Buffalo's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

September 28, 2006
Portage, Michigan

City of New Buffalo, Michigan
Management's Discussion and Analysis
June 30, 2006

The management of the City of New Buffalo, Michigan ("the City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006 for the benefit of the readers of these financial statements. This management's discussion and analysis ("MD&A") is intended to assist the reader in focusing on significant financial issues and provide an overview of the City's financial activity. The City encourages the readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section.

HIGHLIGHTS

Government-wide:

The assets of the City exceeded its liabilities at the close of the fiscal year by \$8.1 million (reported as net assets), an increase of \$529,000 from the previous year.

Fund Level:

As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$1,446,408. Of this, \$1,284,089 is reported as unreserved fund balance. The remaining fund balance is reserved for debt service (\$118,824). At the end of the fiscal year, unreserved fund balance for the General Fund was \$580,857, an increase of \$148,176. The proprietary funds reported an increase in net assets of \$369,268 during the year.

Long Term Debt:

The City's total long-term debt was \$5,298,037 at June 30, 2006, an increase of \$717,582, which includes \$1,047,000 in new debt issued. More detailed information regarding these activities and funds begins on page 4-24.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is an introduction to the City's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

City of New Buffalo, Michigan
Management's Discussion and Analysis
June 30, 2006

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The City's combined net assets increased \$529,313 over the course of this fiscal year's operations to a total of \$8,167,235. The net assets of the governmental activities increased \$160,045 and business-type activities increased \$369,268.

Net Assets as of June 30, 2006 and 2005

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Assets						
Current and other non-current assets	\$ 1,782,080	\$ 1,608,278	\$ 4,604,724	\$ 4,307,981	\$ 6,386,804	\$ 5,916,259
Capital assets	<u>3,925,959</u>	<u>3,043,942</u>	<u>3,385,967</u>	<u>3,463,842</u>	<u>7,311,926</u>	<u>6,507,784</u>
Total Assets	5,708,039	4,652,220	7,990,691	7,771,823	13,698,730	12,424,043
Liabilities						
Long-term liabilities	2,474,676	1,615,500	2,473,957	2,635,537	4,948,633	4,251,037
Other liabilities	<u>297,235</u>	<u>260,636</u>	<u>285,627</u>	<u>274,447</u>	<u>582,862</u>	<u>535,083</u>
Total Liabilities	2,771,911	1,876,136	2,759,584	2,909,984	5,531,495	4,786,120
Net Assets						
Invested in capital assets, net of related debt	1,263,459	1,600,604	2,318,069	2,234,364	3,581,528	3,834,968
Restricted	79,505	--	1,872,569	1,513,598	1,952,704	1,513,598
Unrestricted	<u>1,593,164</u>	<u>1,175,480</u>	<u>1,040,469</u>	<u>1,113,877</u>	<u>2,633,633</u>	<u>2,289,357</u>
Total Net Assets	\$ <u>2,936,128</u>	\$ <u>2,776,084</u>	\$ <u>5,231,107</u>	\$ <u>4,861,839</u>	\$ <u>8,167,235</u>	\$ <u>7,637,923</u>

The largest component of the City's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Unrestricted net assets are the next largest component. These represent resources that may be used at the City's discretion, but often have limitations based upon policy action. The remaining portion, restricted net assets, is subject to external restrictions such as bond covenants, City Charter, State legislation or Constitutional provision.

City of New Buffalo, Michigan
Management's Discussion and Analysis
June 30, 2006

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's net assets changed during the fiscal year.

Change in Net Assets For the Fiscal Year Ended June 30, 2006

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues						
Program Revenues						
Charges for Services	\$ 733,481	\$ 553,885	\$ 1,784,032	\$ 1,502,773	\$ 2,517,513	\$ 2,056,658
Operating Grants	16,850	11,685	--	--	16,850	11,685
Capital Grants	16,100	17,090	--	--	16,100	17,090
General Revenues						
Taxes	1,742,897	1,609,601	--	--	1,742,897	1,609,601
State shared revenue	404,126	410,671	--	--	404,126	410,671
Unrestricted investment earnings	70,543	51,173	42,963	25,851	113,506	77,024
Other	84,467	47,051	45,144	56,428	129,611	103,479
Total Revenues	3,068,464	2,701,156	1,872,139	1,585,052	4,940,603	4,286,208
Expenses						
General government	516,502	592,942	--	--	516,502	592,942
Public safety	998,789	811,373	--	--	998,789	811,373
Public works	686,853	623,078	--	--	686,853	623,078
Recreation and culture	331,488	285,003	--	--	331,488	285,003
Other	218,755	111,830	--	--	218,755	111,830
Interest on long-term debt	109,404	99,032	--	--	109,404	99,032
Sewer	--	--	498,594	494,931	498,594	494,931
Water	--	--	1,050,905	788,445	1,050,905	788,445
Total Expenses	2,861,791	2,523,258	1,549,499	1,283,376	4,411,290	3,806,634
Transfers in	--	--	46,628	44,014	46,628	44,014
Transfers out	(46,628)	(44,014)	--	--	(46,628)	(44,014)
Increase in net assets	160,045	133,884	369,268	345,690	529,313	479,574
Prior period adjustment	--	22,699	--	--	--	22,699
Beginning net assets	<u>2,776,083</u>	<u>2,619,500</u>	<u>4,861,839</u>	<u>4,516,149</u>	<u>7,637,922</u>	<u>7,135,649</u>
Ending net assets	\$ <u>2,936,128</u>	\$ <u>2,776,083</u>	\$ <u>5,231,107</u>	\$ <u>4,861,839</u>	\$ <u>8,167,235</u>	\$ <u>7,637,922</u>

City of New Buffalo, Michigan
Management's Discussion and Analysis
June 30, 2006

Property taxes comprise 57% of Governmental Activities revenue. The City's operating mileage during the fiscal year was 11.6051 mills. A special G.O. Debt levy was .2502 mills, for a total Citywide tax levy of 11.8553 mills. In accordance with Charter and State Constitutional provisions, the City may levy up to 20 mills for operation in fiscal year 2005-2006.

The City has no income tax.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. Fiscal year 2005-2006 receipts from the State of Michigan trended downward, attributed to discretionary reductions in revenue sharing payments by the State of Michigan.

Business type Activities

Net assets of the business-type activities increased by \$369,268 during the fiscal year. The Sewer Fund net assets increased by \$93,704. The Water Fund net assets increased by \$275,564.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds reported fund balances of \$1,446,408. Of this total amount, \$1,284,089 constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. The remainder of fund balance is reserved and is not available for new spending because it has been reserved for debt service and special projects.

General Fund

The General Fund is the chief operating fund of the City. At the end of fiscal year 2005-2006, the General Fund balance was \$580,857, of this amount, \$43,495 was reserved for debt service. The fund balance increased by \$148,176 over the previous fiscal year.

General Fund Budgetary Highlights

Expenditures were less than budget, resulting in an increase in the general fund balance.

Property tax revenue (including penalties and interest) increased \$146,281.00 or 9.4% in fiscal year 2005 - 2006. This is attributed to increases in general property values and significant new housing growth, primarily second/vacation homes.

State revenue sharing payments remained stagnant due to a previous statewide economic downturn from which the State of Michigan has yet to fully recover.

City of New Buffalo, Michigan
Management's Discussion and Analysis
June 30, 2006

Over the course of the year, the city amended the budget to take into account events during the year. The most significant changes were increases in: (1) the assessor to cover a city-wide reassessment project; (2) inspection services to cover additional expenses due to a large increase in new construction inspections; and (3) water fund to cover additional water line extensions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2005-2006, the City had invested \$7,311,926, net of accumulated depreciation, in a broad range of capital assets (see the table below). Total depreciation charges for this fiscal year were \$393,438.

Capital Assets as of June 30, 2006 and 2005
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 181,467	\$ 181,467	\$ 20,500	\$ 20,500	\$ 201,967	\$ 201,967
Land Improvements	186,921	213,396	--	--	186,921	213,396
Buildings	2,014,014	2,082,329	3,245,407	3,307,958	5,259,421	5,390,287
Machinery and equipment	1,419,044	436,620	120,060	135,383	1,539,104	572,003
Infrastructure	<u>124,513</u>	<u>130,130</u>	<u>--</u>	<u>--</u>	<u>124,513</u>	<u>130,130</u>
Total	\$ <u>3,925,959</u>	\$ <u>3,043,942</u>	\$ <u>3,358,967</u>	\$ <u>3,463,841</u>	\$ <u>7,311,926</u>	\$ <u>6,507,783</u>

This year's major additions included:

Fire Truck	\$ 672,000
Crack Sealer	19,345
Work Barge and Trailer	5,885
Thermal Imager	9,995
Loader Backhoe	60,000
Park Mower	13,263
Police Car	26,200
Street Paving	306,044

City of New Buffalo, Michigan
Management's Discussion and Analysis
June 30, 2006

Long-term Debt: The City, along with the New Buffalo Building Authority (NBBA), a blended component unit of the City, are empowered by law to authorize, issue, and sell debt obligations. Limited tax and unlimited tax general obligation bonds are backed by the full faith and credit of the City. The City also can issue revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. NBBA's bonds financed the construction of the City Hall. Rents paid by the City fund the debt service requirements for related improvements, but they are also backed by a limited tax pledge. More detailed information regarding the City's long-term obligations is presented in Note 8 to the financial statements.

Outstanding Bonded Debt as of June 30, 2006 and 2005

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Obligation Bonds (backed by the City)	\$ 1,510,000	\$ 1,310,000	\$ 1,110,000	\$ 1,280,000	\$ 2,620,000	\$ 2,590,000
Revenues Bonds and Notes (backed by specific fee revenues)	<u>310,000</u>	<u>340,000</u>	<u>--</u>	<u>--</u>	<u>310,000</u>	<u>340,000</u>
Total	<u>\$ 1,820,000</u>	<u>\$ 1,650,000</u>	<u>\$ 1,110,000</u>	<u>\$ 1,280,000</u>	<u>\$ 2,930,000</u>	<u>\$ 2,930,000</u>

ECONOMIC CONDITION AND OUTLOOK

The current economic condition of the City of New Buffalo is good. The general fund balance has consistently risen over the past four years to its current \$580,857. Expenditures have been maintained at a reasonable level while providing for all the traditional services necessary and planning for developments underway and anticipated.

The economic outlook for the City is very good. The City is experiencing a residential boom, with over 350 residential units and 20 commercial units under construction or approved by the planning commission. Several of the developments are occurring in the central business district, resulting in the redevelopment of two downtown blocks with new commercial and residential units, an underground 120 car parking garage and a new 84 car public parking lot funded by the developers, to be opened in 2008. In addition, developers have approached the City with plans for another 100 units of residential development and the redevelopment of another downtown block. These developments total over \$180,000,000.00 in market value. When completed, this development will add approximately 90 million to the assessed valuation of the City, currently assessed at 147 million.

City of New Buffalo, Michigan
Management's Discussion and Analysis
June 30, 2006

A major casino is now under construction just south of the city. This casino, the Four Winds Casino of the Pokagon Band of the Pottawatomie Indians, is slated to open in August 2007. The City has a contract with the casino to provide water, and will receive yearly income under the compact between the Pokagons and the State of Michigan. The water contract calls for the casino to pay for a 2 million gallon enlargement of the City's water treatment plant, paying \$900,000.00 up front and guaranteeing a daily minimum usage of water for the next twenty years. Further, the casino will use only a maximum of 500 thousand gallons of water per day, leaving the city the remaining 1.5 million in capacity for future city development. In addition, the City will receive a percentage of the net revenues of the casino to counteract impacts caused by the casino, the initial yearly payment to the City's general fund is projected at \$500,000 per year.

CONTACTING THE CITY FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Treasurer at (269) 469-1500.

City of New Buffalo
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,301,045	\$ 1,678,320	\$ 2,979,365
Receivables			
Customers	91,414	372,682	464,096
Special assessments	28,515	-	28,515
Due from other units of government	93,682	-	93,682
Inventories	-	750	750
Prepaid items	65,238	19,957	85,195
Restricted assets			
Cash and cash equivalents	-	18,558	18,558
Special assessment receivable	200,066	-	200,066
Bond issue discount (net)	2,120	28,099	30,219
Investment in joint venture	-	2,486,358	2,486,358
Capital assets not being depreciated	181,467	20,500	201,967
Capital assets - net of accumulated depreciation	<u>3,744,492</u>	<u>3,365,467</u>	<u>7,109,959</u>
 Total assets	 <u>5,708,039</u>	 <u>7,990,691</u>	 <u>13,698,730</u>

See Accompanying Notes to Financial Statements

City of New Buffalo
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 52,984	\$ 77,867	\$ 130,851
Accrued and other liabilities	56,427	22,416	78,843
Customer deposits	-	18,558	18,558
Due to other units of government	-	5,206	5,206
Noncurrent liabilities			
Contract payable	-	1,567,639	1,567,639
Due within one year	187,824	170,000	357,824
Due in more than one year	2,474,676	897,898	3,372,574
 Total liabilities	 2,771,911	 2,759,584	 5,531,495
Net Assets			
Invested in capital assets, net of related debt	1,263,459	2,318,069	3,581,528
Restricted for:			
Joint venture	-	918,719	918,719
Expansion	-	198,282	198,282
Maintenance	-	755,568	755,568
Debt service	79,505	-	79,505
Unrestricted	1,593,164	1,040,469	2,633,633
 Total net assets	 \$ 2,936,128	 \$ 5,231,107	 \$ 8,167,235

See Accompanying Notes to Financial Statements

City of New Buffalo
Statement of Activities
For the Year Ended June 30, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
	<u>Expenses</u>				<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/Programs							
Primary government							
Governmental activities							
General government	\$ 516,502	\$ 339,903	\$ -	\$ -	\$ (176,599)	\$ -	\$ (176,599)
Public safety	998,789	-	-	-	(998,789)	-	(998,789)
Public works	686,853	165,758	-	-	(521,095)	-	(521,095)
Health and welfare	101,948	-	-	-	(101,948)	-	(101,948)
Community and economic development	12,124	-	-	-	(12,124)	-	(12,124)
Recreation and culture	331,488	227,820	16,850	-	(86,818)	-	(86,818)
Other functions	104,683	-	-	-	(104,683)	-	(104,683)
Interest on long-term debt	109,404	-	-	16,100	(93,304)	-	(93,304)
Total governmental activities	<u>2,861,791</u>	<u>733,481</u>	<u>16,850</u>	<u>16,100</u>	<u>(2,095,360)</u>	<u>-</u>	<u>(2,095,360)</u>
Business-type activities							
Sewer	498,594	554,054	-	-	-	55,460	55,460
Water	1,050,905	1,229,978	-	-	-	179,073	179,073
Total business-type activities	<u>1,549,499</u>	<u>1,784,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,533</u>	<u>234,533</u>
Total primary government	<u>4,411,290</u>	<u>2,517,513</u>	<u>16,850</u>	<u>16,100</u>	<u>(2,095,360)</u>	<u>234,533</u>	<u>(1,860,827)</u>

See Accompanying Notes to Financial Statements

City of New Buffalo
Statement of Activities
For the Year Ended June 30, 2006

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating	Capital	Primary Government		
		Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
General revenues						
Property taxes				\$ 1,742,897	\$ -	\$ 1,742,897
State shared revenue				404,126	-	404,126
Unrestricted investment earnings				70,543	42,963	113,506
Income from joint venture				-	27,027	27,027
Gain on sale of capital assets				25	-	25
Miscellaneous				84,442	18,117	102,559
Transfers				(46,628)	46,628	-
Total general revenues and transfers				2,255,405	134,735	2,390,140
Change in net assets				160,045	369,268	529,313
Net assets - beginning of year				2,776,083	4,861,839	7,637,922
Net assets - end of year				\$ 2,936,128	\$ 5,231,107	\$ 8,167,235

See Accompanying Notes to Financial Statements

**City of New Buffalo
Governmental Funds
Balance Sheet
June 30, 2006**

	<u>Special Revenue Funds</u>			Nonmajor	Total
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 492,357	\$ 39,640	\$ 11,033	\$ 758,015	\$ 1,301,045
Receivables					
Customers	82,196	-	-	9,218	91,414
Special assessments	-	-	-	28,515	28,515
Due from other units of government	60,546	23,300	9,837	-	93,683
Due from other funds	34,175	-	8,298	75,132	117,605
Prepaid items	52,573	-	-	12,665	65,238
Special assessment receivable - deferred	-	-	-	200,066	200,066
Total assets	<u>\$ 721,847</u>	<u>\$ 62,940</u>	<u>\$ 29,168</u>	<u>\$ 1,083,611</u>	<u>\$ 1,897,566</u>
Liabilities					
Accounts payable	\$ 36,952	\$ 2,886	\$ 916	\$ 12,230	\$ 52,984
Accrued and other liabilities	11,024	1,003	999	4,082	17,108
Due to other funds	58,134	-	-	59,471	117,605
Deferred revenue	34,880	-	-	228,581	263,461
Total liabilities	<u>140,990</u>	<u>3,889</u>	<u>1,915</u>	<u>304,364</u>	<u>451,158</u>
Fund Balances					
Reserved for:					
Debt service	-	-	-	118,824	118,824
Unreserved					
Designated for:					
Building permits	43,495	-	-	-	43,495
Unreserved, reported in:					
General fund	537,362	-	-	-	537,362
Special revenue funds	-	59,051	27,253	126,585	212,889
Capital project funds	-	-	-	533,838	533,838
Total fund balances	<u>580,857</u>	<u>59,051</u>	<u>27,253</u>	<u>779,247</u>	<u>1,446,408</u>
Total liabilities and fund balances	<u>\$ 721,847</u>	<u>\$ 62,940</u>	<u>\$ 29,168</u>	<u>\$ 1,083,611</u>	<u>\$ 1,897,566</u>

See Accompanying Notes to Financial Statements

City of New Buffalo
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2006

Total fund balances for governmental funds	\$ 1,446,408
Total net assets for governmental activities in the statement of net assets is different because:	
Bond issue discount (net) is expensed in the funds in the year incurred.	2,120
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,925,959
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	
Deferred state share revenue	34,880
Deferred special assessments	216,354
Special assessment interest receivable	12,226
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(39,319)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(2,662,500)</u>
Net assets of governmental activities	<u><u>\$ 2,936,128</u></u>

City of New Buffalo
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2006

		Special Revenue Funds			
	General	Major Street	Local Street	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,707,557	\$ -	\$ -	\$ 35,340	\$ 1,742,897
Licenses and permits	228,556	-	-	-	228,556
State revenue sharing	194,084	141,109	68,720	-	403,913
Charges for services	277,105	-	-	227,820	504,925
Fines and forfeitures	22,060	-	-	-	22,060
Interest income	27,597	1,376	473	39,975	69,421
Other revenue	60,884	-	-	52,032	112,916
Total revenues	<u>2,517,843</u>	<u>142,485</u>	<u>69,193</u>	<u>355,167</u>	<u>3,084,688</u>
Expenditures					
Current					
General government	429,922	-	-	7,344	437,266
Public safety	918,727	-	-	8,758	927,485
Public works	462,800	100,619	83,954	-	647,373
Health and Welfare	101,948	-	-	-	101,948
Community and economic development	12,124	-	-	-	12,124
Recreation and culture	418	-	-	287,755	288,173
Other functions	104,683	-	-	-	104,683
Capital outlay	674,500	-	-	440,852	1,115,352
Debt service					
Principal retirement	-	-	-	167,838	167,838
Interest and fiscal charges	-	-	-	95,018	95,018
Total expenditures	<u>2,705,122</u>	<u>100,619</u>	<u>83,954</u>	<u>1,007,565</u>	<u>3,897,260</u>
Excess (deficiency) of revenues over expenditures	<u>(187,279)</u>	<u>41,866</u>	<u>(14,761)</u>	<u>(652,398)</u>	<u>(812,572)</u>

City of New Buffalo
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2006

		Special Revenue Funds			
	General	Major Street	Local Street	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)					
Transfers in	\$ -	\$ -	\$ -	\$ 365,734	\$ 365,734
Transfers out	(336,570)	(46,628)	-	(29,164)	(412,362)
Issuance of debt	672,000	-	-	375,000	1,047,000
Sale of fixed assets	25	-	-	-	25
Total other financing sources and uses	<u>335,455</u>	<u>(46,628)</u>	<u>-</u>	<u>711,570</u>	<u>1,000,397</u>
Net change in fund balance	<u>148,176</u>	<u>(4,762)</u>	<u>(14,761)</u>	<u>59,172</u>	<u>187,825</u>
Fund balance - beginning of year	<u>432,681</u>	<u>63,813</u>	<u>42,014</u>	<u>720,075</u>	<u>1,258,583</u>
Fund balance - end of year	<u>\$ 580,857</u>	<u>\$ 59,051</u>	<u>\$ 27,253</u>	<u>\$ 779,247</u>	<u>\$ 1,446,408</u>

See Accompanying Notes to Financial Statements

City of New Buffalo
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - Total governmental funds **\$ 187,825**

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(233,335)
Capital outlay	1,115,352

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

State shared revenue	213
Special assessments	(15,230)
Interest revenue	(1,232)

Expenses are recorded when incurred in the statement of activities

Accrued interest	(14,084)
------------------	----------

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Debt issued	(1,047,000)
Repayments of long-term debt	167,838
Amortization of issuance costs, premiums, discounts and similar items	<u>(302)</u>

Change in net assets of governmental activities **\$ 160,045**

City of New Buffalo
Proprietary Funds
Statement of Net Assets
June 30, 2006

	Enterprise Funds		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 201,066	\$ 1,477,254	\$ 1,678,320
Receivables			
Customers	121,224	251,458	372,682
Inventories	-	750	750
Prepaid items	1,000	18,957	19,957
Total current assets	<u>323,290</u>	<u>1,748,419</u>	<u>2,071,709</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	-	18,558	18,558
Bond issue discount (net)	-	28,099	28,099
Investment in joint venture	2,486,358	-	2,486,358
Capital assets, net	<u>827,202</u>	<u>2,558,765</u>	<u>3,385,967</u>
Total noncurrent assets	<u>3,313,560</u>	<u>2,605,422</u>	<u>5,918,982</u>
 Total assets	 <u>3,636,850</u>	 <u>4,353,841</u>	 <u>7,990,691</u>

City of New Buffalo
Proprietary Funds
Statement of Net Assets
June 30, 2006

	Enterprise Funds		
	Sewer	Water	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 29,670	\$ 48,197	\$ 77,867
Accrued and other liabilities	11,003	11,413	22,416
Customer Deposits	-	18,558	18,558
Due to other units of government	-	5,206	5,206
Current portion of noncurrent liabilities	-	170,000	170,000
Total current liabilities	<u>40,673</u>	<u>253,374</u>	<u>294,047</u>
Noncurrent liabilities			
Contract payable	1,567,639	-	1,567,639
Long-term debt net of current portion	-	897,898	897,898
Total noncurrent liabilities	<u>1,567,639</u>	<u>897,898</u>	<u>2,465,537</u>
Total liabilities	<u>1,608,312</u>	<u>1,151,272</u>	<u>2,759,584</u>
Net Assets			
Invested in capital assets, net of related debt	827,202	1,490,867	2,318,069
Restricted for:			
Joint venture	918,719	-	918,719
Expansion	-	198,282	198,282
Maintenance	191,857	563,711	755,568
Unrestricted	<u>90,760</u>	<u>949,709</u>	<u>1,040,469</u>
Total net assets	<u>\$ 2,028,538</u>	<u>\$ 3,202,569</u>	<u>\$ 5,231,107</u>

City of New Buffalo
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2006

	Enterprise Funds		
	Sewer	Water	Total
Operating revenue			
Customer fees	\$ 554,054	\$ 1,229,978	\$ 1,784,032
Other revenue	8,717	9,400	18,117
Total operating revenue	<u>562,771</u>	<u>1,239,378</u>	<u>1,802,149</u>
Operating expenses			
Personnel services	29,301	381,640	410,941
Supplies	2,149	164,656	166,805
Contractual services	354,904	226,255	581,159
Utilities	-	34,571	34,571
Repairs and maintenance	11,477	25,760	37,237
Other expenses	2,454	37,222	39,676
Amortization	-	13,772	13,772
Depreciation	34,408	125,695	160,103
Total operating expenses	<u>434,693</u>	<u>1,009,571</u>	<u>1,444,264</u>
Operating income	<u>128,078</u>	<u>229,807</u>	<u>357,885</u>
Nonoperating revenue (expenses)			
Income from joint venture	27,027	-	27,027
Interest income	4,620	38,343	42,963
Interest expense	(63,901)	(41,334)	(105,235)
Total nonoperating revenues (expenses)	<u>(32,254)</u>	<u>(2,991)</u>	<u>(35,245)</u>
Income before transfers out	95,824	226,816	322,640
Transfers in	-	48,748	48,748
Transfers out	(2,120)	-	(2,120)
Change in net assets	93,704	275,564	369,268
Net assets - beginning of year	<u>1,934,834</u>	<u>2,927,005</u>	<u>4,861,839</u>
Net assets - end of year	<u>\$ 2,028,538</u>	<u>\$ 3,202,569</u>	<u>\$ 5,231,107</u>

See Accompanying Notes to Financial Statements

City of New Buffalo
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
Cash flows from operating activities			
Receipts from customers	\$ 540,953	\$ 1,247,239	\$ 1,788,192
Payments to suppliers	(371,426)	(481,399)	(852,825)
Payments to employees	(29,301)	(381,640)	(410,941)
Net cash provided (used) by operating activities	<u>140,226</u>	<u>384,200</u>	<u>524,426</u>
Cash flows from noncapital financing activities			
Transfer from other funds	-	48,748	48,748
Transfers to other funds	(2,120)	-	(2,120)
Net cash provided (used) by noncapital financing activities	<u>(2,120)</u>	<u>48,748</u>	<u>46,628</u>
Cash flows from capital and related financing activities			
Purchases/construction of capital assets	-	(82,229)	(82,229)
Principal and interest paid on long-term debt	(63,900)	(211,334)	(275,234)
Net cash provided (used) by capital and related financing activities	<u>(63,900)</u>	<u>(293,563)</u>	<u>(357,463)</u>
Cash flows from investing activities			
Interest received	<u>4,620</u>	<u>38,343</u>	<u>42,963</u>
Net increase in cash and cash equivalents	78,826	177,728	256,554
Cash and cash equivalents - beginning of year	<u>122,240</u>	<u>1,318,084</u>	<u>1,440,324</u>
Cash and cash equivalents - end of year	<u>\$ 201,066</u>	<u>\$ 1,495,812</u>	<u>\$ 1,696,878</u>

See Accompanying Notes to Financial Statements

City of New Buffalo
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 128,078	\$ 229,807	\$ 357,885
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	34,408	139,467	173,875
Changes in assets and liabilities			
Receivables (net)	(21,818)	7,861	(13,957)
Prepaid items	-	(4,557)	(4,557)
Accounts payable	(437)	9,621	9,184
Accrued and other liabilities	(5)	503	498
Customer deposits	-	711	711
Due to other units of government	-	787	787
Net cash provided (used) by operating activities	<u>\$ 140,226</u>	<u>\$ 384,200</u>	<u>\$ 524,426</u>

City of New Buffalo
Fiduciary Funds
Statement of Net Assets
June 30, 2006

	Current Tax Fund
Assets	
Cash and cash equivalents	\$ <u>4,284</u>
Liabilities	
Due to other units of government	\$ <u>4,284</u>

City of New Buffalo
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

City of New Buffalo is governed by an elected five-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit – A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is in substance the same as the City. It is reported as part of the City and blended into the appropriate funds.

Building Authority – The City of New Buffalo Building Authority is governed by a three member board appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate

component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of New Buffalo
Notes to Financial Statements
June 30, 2006

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the maintenance and improvement activities for streets designated as "major" within the City. Funding is primarily through state shared gas and weight taxes.

The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the

City. Funding is primarily through state shared gas and weight taxes.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes not including capital projects or permanent funds.

The Debt Service Funds account for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

Capital Projects Fund account for the development of capital facilities other than those financed by the operations of an enterprise fund.

Trust and Agency Fund and Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for

City of New Buffalo
Notes to Financial Statements
June 30, 2006

their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st and December 1st on the taxable valuation of property as of the preceding December 31st. If the summer tax bills (7/1) are not paid by the due date, October 1, a 4% penalty is charged and the entire amount is rolled into the winter bills. If the winter tax bills (12/1) are not paid by the due date, February 14, a 4% penalty is charged and the balance is turned over to the County on March 1.

The City's 2005 ad valorem tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

City of New Buffalo
Notes to Financial Statements
June 30, 2006

The 2005 taxable valuation of the government totaled \$145,903,486 on which ad valorem taxes consisted of 11.6051 mills for operating purposes and 0.2502 for debt service. This resulted in \$1,693,225 for operating expenses, and \$36,505 for debt service, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets –The Water fund contains a restricted cash account, which consists of customer deposits and is restricted to the refunding of those deposits at customer termination.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. The City began recording governmental infrastructure constructed July 1, 2003.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line

method over the following useful lives:

Land Improvements	20 years
Buildings	20 to 40 years
Building improvements	20 to 40 years
Water and sewer lines	20 to 40 years
Infrastructure	20 to 40 years
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years

Compensated absences – Vacation and sick pay and other employee benefits, are recognized only when credit is taken by the employee. Benefits not paid to an employee during any period, except for sick pay, are not accumulated past year-end. Benefits are not paid upon termination of employment. Benefits are earned as follows:

Sick pay – Twelve days per year with a maximum 120 days during employment. No payment for unused sick pay upon termination of employment.

Vacation – One or more weeks per year, depending on years of service, no payment or carryover, if vacation is not taken except under unusual circumstances if requested by the department supervisor and approved by the city council.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

City of New Buffalo
Notes to Financial Statements
June 30, 2006

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal yearend.

Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following June 30. Public hearings are obtained to obtain taxpayer

comments and the budget is legally enacted through passage of an ordinance prior to July 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the City Council.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

During the year, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditure	Budget Variances
General Fund			
Public safety	\$ 892,867	\$ 918,727	\$ 25,860
Miscellaneous projects	56,000	77,542	21,542
Capital outlay	-	674,500	674,500

NOTE 3 - DEPOSITS AND INVESTMENTS

At yearend the government's deposits and investments were reported in the basic financial statements in the following categories:

City of New Buffalo
Notes to Financial Statements
June 30, 2006

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents
Governmental activities	\$ 1,301,045	\$ -
Business-type activities	1,678,320	18,558
Total primary government	2,979,365	18,558
Fiduciary funds	4,284	-
Total	<u>\$ 2,983,649</u>	<u>\$ 18,558</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 2,997,563	\$ 4,284
Petty cash and cash on hand	360	-
	<u>\$ 2,997,923</u>	<u>\$ 4,284</u>

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the

State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial risk – deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of yearend, \$2,595,584 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

The only receivables not expected to be collected within one year are as follows:

	Due After One Year	Fund
Primary government		
Special assessments	<u>\$ 200,066</u>	Debt Service - special assessment

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Primary government	
State shared revenue	\$ 34,880
Special assessments	216,355
Other revenue	<u>12,226</u>
	<u>\$ 263,461</u>

City of New Buffalo
Notes to Financial Statements
June 30, 2006

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance		Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities					Business-type activities				
Capital assets not being depreciated					Capital assets not being depreciated				
Land	\$ 181,467	\$ -	\$ -	\$ 181,467	Land	\$ 20,500	\$ -	\$ -	\$ 20,500
Capital assets being depreciated					Capital assets being depreciated				
Land improvements	529,500	-	-	529,500	Buildings and improvements	6,362,091	82,229	-	6,444,320
Infrastructure	140,428	-	-	140,428	Machinery and equipment	495,679	-	-	495,679
Buildings and improvements	2,689,400	-	-	2,689,400	Total capital assets being depreciated	6,857,770	82,229	-	6,939,999
Machinery and equipment	1,975,227	1,115,352	-	3,090,579	Less accumulated depreciation for				
Total capital assets being depreciated	5,334,555	1,115,352	-	6,449,907	Buildings and improvements	3,054,133	144,780	-	3,198,913
Less accumulated depreciation for					Machinery and equipment	360,296	15,323	-	375,619
Land improvements	316,104	26,475	-	342,579	Total accumulated depreciation	3,414,429	160,103	-	3,574,532
Infrastructure	10,298	5,617	-	15,915	Net capital assets being depreciated	3,443,341	(77,874)	-	3,365,467
Buildings and improvements	607,071	68,315	-	675,386	Business-type capital assets, net	\$ 3,463,841	\$ (77,874)	\$ -	\$ 3,385,967
Machinery and equipment	1,538,607	132,928	-	1,671,535					
Total accumulated depreciation	2,472,080	233,335	-	2,705,415					
Net capital assets being depreciated	2,862,475	882,017	-	3,744,492					
Governmental activities capital assets, net	\$ 3,043,942	\$ 882,017	\$ -	\$ 3,925,959					

City of New Buffalo
Notes to Financial Statements
June 30, 2006

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities

General government	\$ 79,236
Public safety	71,304
Public works	39,480
Recreation and culture	<u>43,315</u>
Total governmental activities	<u>233,335</u>

Business-type activities

Sewer	34,408
Water	<u>125,695</u>
Total business-type activities	<u>160,103</u>
Total primary government	<u><u>\$ 393,438</u></u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due from/to other funds		
General	GO Bond Debt	\$ 34,175
Local Street	Transportation Imp	8,298
Building Authority	General Fund	27,993
MI Transportation Bond	Capital Improvements	16,998
Capital Improvements	General Fund	24,000
Transportation Imp.	General Fund	<u>6,141</u>
		<u><u>\$ 117,605</u></u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General	Park	\$ 70,000
General	Equipment Purchase	120,000
General	NBBA	122,570
General	Capital Improvement	24,000
Major Street	Water	46,628
Park	Dredge	4,718
Capital Improvement	2003 St Paving	24,446
Sewer	Water	<u>2,120</u>
		<u><u>\$ 414,482</u></u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

City of New Buffalo
Notes to Financial Statements
June 30, 2006

NOTE 7 - LEASES

Capital leases

The City has a capital lease for a fire truck. The future minimum lease payments are as follows:

<u>Year ending June 30,</u>	
2007	\$ 17,010
2008	16,571
2009	16,132
2010	15,694
2011	15,255
2012 - 2014	<u>43,133</u>
Total minimum lease payments	123,795
Less amount representing interest	<u>15,795</u>
Present value of minimum lease payments	<u>\$ 108,000</u>

The asset acquired through a capital lease is as follows:

Asset	
Machinery and equipment	\$ 135,000
Less accumulated depreciation	<u>(38,250)</u>
Total	<u>\$ 96,750</u>

NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the City) are received. Installment purchase agreements are also general obligations of the government.

City of New Buffalo
Notes to Financial Statements
June 30, 2006

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
General obligation bonds									
1991	\$ 325,000	2005		\$35,000	\$ 35,000	\$ -	\$ 35,000	-	\$ -
Special assessment obligations									
Obligations 2000	495,000	2019	5.3 - 6.00%	10,000-35,000	340,000	-	30,000	310,000	30,000
Building authority bonds 1996	1,515,000	2061	4.875 - 5.4%	65,000-130,000	1,135,000		65,000	1,070,000	70,000
Installment purchase agreements									
Installment purchase - gate	20,000	2006		6,838	6,838	-	6,838	-	-
Installment purchase - skate park	10,000	2006	3.30%	2,500	5,000	-	2,500	2,500	2,500
Installment purchase - case backhoe	60,000	2010	3.75%	11,133-12,899	-	60,000	-	60,000	11,133
Installment purchase - emergency tanker	672,000	2021	4.83%	20,691-37,203	-	672,000	-	672,000	20,691
Transportation fund bonds									
2003 Michigan	155,000	2013	2.0 - 3.7%	15,000-20,000	140,000	-	15,000	125,000	15,000
2006 Michigan	315,000	2015	3.55 - 4.65%	25,000-35,000	-	315,000	-	315,000	25,000
Lease purchase - fire truck	135,000	2013	3.25%	13,500	121,500	-	13,500	108,000	13,500
Less deferred amounts									
For issuance discounts					(2,422)	-	(302)	(2,120)	-
Total governmental activities					<u>\$ 1,780,916</u>	<u>\$ 1,047,000</u>	<u>\$ 167,536</u>	<u>\$ 2,660,380</u>	<u>\$ 187,824</u>
Business-type activities									
Bonds and notes payable									
General obligation bonds									
2003 Limited tax	\$ 1,520,000	2012	1.9-4.3%	85,000-105,000	\$ 1,280,000	\$ -	\$ 170,000	\$ 1,110,000	\$ 170,000
Less deferred amounts									
For issuance discounts					(33,451)	-	(5,352)	(28,099)	-
On refunding					(50,522)	-	(8,420)	(42,102)	-
Total business-type activities					<u>\$ 1,196,027</u>	<u>\$ -</u>	<u>\$ 156,228</u>	<u>\$ 1,039,799</u>	<u>\$ 170,000</u>

City of New Buffalo
Notes to Financial Statements
June 30, 2006

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 187,824	\$ 126,501	\$ 170,000	\$ 38,075
2008	\$ 201,741	118,168	175,000	33,549
2009	203,222	109,124	180,000	28,060
2010	209,769	99,646	185,000	21,895
2011	216,386	89,395	195,000	14,691
2012-2016	1,064,750	283,759	205,000	6,590
2017-2021	578,808	90,835	-	-
	<u>\$ 2,662,500</u>	<u>\$ 917,429</u>	<u>\$ 1,110,000</u>	<u>\$ 142,860</u>

Contract payable

On September 24, 2003, the Galien River Sanitary District (GRSD) issued an \$8.1 million General Obligation Limited Tax Bond. As the bonds were issued by the GRSD, the City has recorded a contract payable of \$1,567,639 for their pro-rata portion of these bonds. Annual debt service requirements to maturity for the contract payable are as follows:

Year Ending June 30,	Principal	Interest
2007	\$ 44,574	\$ 63,455
2008	45,543	62,326
2009	47,481	60,901
2010	48,450	59,402
2011	50,388	57,795
2012-2016	281,010	259,369
2017-2021	336,243	200,079
2022-2026	415,701	131,277
2027-2029	298,249	9,655
	<u>\$ 1,567,639</u>	<u>\$ 904,258</u>

Accrued interest as of June 30, 2006 was \$10,650

NOTE 9 - DEFEASED DEBT

On September 30, 2003, the City defeased a bond issued by creating a separate irrevocable trust fund. New debt has been issued and the net proceeds of the refunding were placed in a separate special escrow account and invested in securities of the U.S. Government and its agencies. The investment and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements.

As of June 30, 2006, the amount of defeased debt outstanding but removed from the City's financial statements amounted to \$1,250,000 for the refinancing of the Water Supply System Revenue Bonds of 1995.

NOTE 10 - RESTRICTED NET ASSETS

In 1996, the City Council restricted one third of all water tap-in fees per year to be escrowed for future system expansion and studies. The restricted balance at June 30, 2006 and 2005 was \$198,282 and \$181,665, respectively.

NOTE 11 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for workers' compensation, death, and disability, hospitalization and life claims

City of New Buffalo
Notes to Financial Statements
June 30, 2006

and participates in the Michigan Municipal League risk pool for claims relating to liability, fire, fleet and bonds. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined benefit pension plan

Plan description – The City provides pension benefits to all of its full-time employees except the city manager through a self-directed defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate when they have completed at least one year of service and are at least twenty-one years of age. As established by the Plan, the City contributes 7 percent of employees' gross earnings. The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after 10 years of service.

The City's total payroll during the current year was \$1,208,495. The current year contribution was calculated based on covered base salaries of \$825,168, resulting in an employer contribution of \$54,753.

One employee is covered by a separate deferred compensation pension plan in which they have the option of making matching contributions to the plan. The contributions are fully vested. Employer contributions are based on 7 percent of gross earnings and are fully vested after 10 years of service. On October 1, 2002 the City adopted

an amendment to this plan. Under the amendment, the employee is not required to make contributions to the plan. The City is required to contribute 7 percent of the employee's gross earnings and these contributions are fully vested. The total employer contributions were \$4,003 based on a covered based salary of \$57,181.

NOTE 13 - JOINT VENTURES

The City is a participant in related organizations as follows:

The City is a member of the Pine Grove Cemetery, which provides services to residents of New Buffalo and the New Buffalo Township. The participating communities provide annual funding for the operations of the cemetery. During the current year, the City contributed \$24,000 for its operation.

The City is a participant with Chikaming Township, Lake Township, New Buffalo Township, and the City of Bridgman, in a joint venture to provide sanitary sewage treatment and collection facilities for the residents of those communities. The Galien River Sanitary District pro-rata percentage of ownership is as follows:

City of New Buffalo	21.6%
Chikaming Township	28.6%
New Buffalo Township	16.6%
Lake Charter Township	16.6%
City of Bridgman	16.6%

The Galien River Sanitary District (GRSD) is governed by a six-member Board of Trustees, one member selected by the governing body of each constituent municipality (for a total of five members), and one member is selected by the other five members. The term of office is six years. The at-large member serves as Chairperson of the Board. The contracting parties provide annual funding to meet debt service requirements on bonds issued to pay for plant construction.

City of New Buffalo
Notes to Financial Statements
June 30, 2006

On September 23, 2003, the GRSD issued an \$8.1 million General Obligation Limited Tax Bond for the design, acquisition, construction and equipping improvements for expansion of the plant. As the bonds were issued by the GRSD, the City has recorded a contract payable in the amount of \$1,567,639 for their pro-rata portion of these bonds. The GRSD bills the City for their portion of principal and interest on the bonds as those payments become due.

The City's share of the operating results of the District are reported in the City's Sewer Fund (an Enterprise Fund). The City's equity interest in the District was \$891,692 at December 31, 2004 (the District's year-end) and \$918,719 at December 31, 2005. Completed financial statements for the Galien River Sanitary District can be obtained from the New Buffalo City Clerk's office.

NOTE 14 - BUILDING PERMIT FEES

The City charges a fee for generating building permits for commercial and residential construction projects. An outside contractor, who receives 80% of the building permit fees generated, performs the work. The City keeps an administrative fee of 20%.

A breakdown of the revenues and related expenditures for the year ended June 30, 2006 is as follows:

Carryover deficit from prior year	\$ (474)
Total building permit revenues	228,554
Total building permit expenditures	<u>(184,585)</u>
Excess of revenues over expenditures	\$ <u>43,495</u>

A designation of fund balance in the General Fund is required because of the excess.

City of New Buffalo
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes				
Property taxes	\$ 1,695,276	\$ 1,695,276	\$ 1,698,387	\$ 3,111
Penalties and interest	7,200	12,000	9,170	(2,830)
Licenses and permits	145,100	237,100	228,556	(8,544)
State revenue sharing	202,900	198,900	194,084	(4,816)
Charges for services	227,725	260,018	277,105	17,087
Fines and forfeitures	27,000	25,000	22,060	(2,940)
Interest income	15,000	17,000	27,597	10,597
Other revenue	17,360	16,360	60,884	44,524
Sale of fixed assets	200	200	25	(175)
Bond/note proceeds	-	-	672,000	672,000
Total revenues	<u>2,337,761</u>	<u>2,461,854</u>	<u>3,189,868</u>	<u>728,014</u>
Expenditures				
General government				
Legislative	47,180	50,850	61,274	10,424
Executive	86,083	77,875	83,063	5,188
Clerk	102,854	101,835	103,160	1,325
Board of review	1,300	800	1,150	350
Treasurer	126,043	129,000	114,661	(14,339)
Assessor	40,535	40,535	37,398	(3,137)
Elections	7,695	7,695	5,216	(2,479)
Cemetery	24,000	24,000	24,000	-
Total general government	<u>435,690</u>	<u>432,590</u>	<u>429,922</u>	<u>(2,668)</u>

See Accompanying Notes to Financial Statements

City of New Buffalo
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Public safety				
Police	\$ 622,875	\$ 642,942	\$ 675,199	\$ 32,257
Fire department	78,645	72,819	58,943	(13,876)
Building inspection department	135,106	177,106	184,585	7,479
Total public safety	<u>836,626</u>	<u>892,867</u>	<u>918,727</u>	<u>25,860</u>
Public works				
Highways, streets and bridges	280,074	294,634	263,736	(30,898)
Street lighting	34,000	34,000	32,250	(1,750)
Sanitation department	161,400	161,400	166,814	5,414
Total public works	<u>475,474</u>	<u>490,034</u>	<u>462,800</u>	<u>(27,234)</u>
Health and welfare				
Ambulance	<u>105,000</u>	<u>105,000</u>	<u>101,948</u>	<u>(3,052)</u>
Community and economic development				
Planning	12,481	8,181	6,753	(1,428)
Zoning	3,902	4,552	5,371	819
Total community and economic development	<u>16,383</u>	<u>12,733</u>	<u>12,124</u>	<u>(609)</u>
Recreation and culture				
Parks and recreation	<u>2,100</u>	<u>550</u>	<u>418</u>	<u>(132)</u>

City of New Buffalo
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Other functions				
Insurance and bonds	\$ 30,097	\$ 30,097	\$ 27,141	\$ (2,956)
Miscellaneous projects	55,000	56,000	77,542	21,542
Tax tribunal refunds	1,000	1,000	-	(1,000)
Total other functions	<u>86,097</u>	<u>87,097</u>	<u>104,683</u>	<u>17,586</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>674,500</u>	<u>674,500</u>
Debt service				
Principal retirement	<u>19,854</u>	<u>19,854</u>	<u>-</u>	<u>(19,854)</u>
Transfers out	<u>366,569</u>	<u>336,569</u>	<u>336,570</u>	<u>1</u>
Total expenditures	<u>2,343,793</u>	<u>2,377,294</u>	<u>3,041,692</u>	<u>664,398</u>
Excess (deficiency) of revenues over expenditures	(6,032)	84,560	148,176	63,616
Fund balance - beginning of year	<u>432,681</u>	<u>432,681</u>	<u>432,681</u>	<u>-</u>
Fund balance - end of year	<u>\$ 426,649</u>	<u>\$ 517,241</u>	<u>\$ 580,857</u>	<u>\$ 63,616</u>

See Accompanying Notes to Financial Statements

City of New Buffalo
Required Supplemental Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
State revenue sharing	\$ 150,000	\$ 137,000	\$ 141,109	\$ 4,109
Interest income	600	600	1,376	776
Total revenues	150,600	137,600	142,485	4,885
Expenditures				
Current				
Public works	131,237	101,737	100,619	(1,118)
Transfers out	42,638	42,628	46,628	4,000
Total expenditures	173,875	144,365	147,247	2,882
Excess of revenues (deficiency) over expenditures	(23,275)	(6,765)	(4,762)	2,003
Fund balance - beginning of year	63,813	63,813	63,813	-
Fund balance - end of year	\$ 40,538	\$ 57,048	\$ 59,051	\$ 2,003

See Accompanying Notes to Financial Statements

City of New Buffalo
Required Supplemental Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
State revenue sharing	\$ 73,000	\$ 67,971	\$ 68,720	\$ 749
Interest income	500	500	473	(27)
Total revenues	73,500	68,471	69,193	722
Expenditures				
Current				
Public works	85,529	93,787	83,954	(9,833)
Excess of revenues (deficiency) over expenditures	(12,029)	(25,316)	(14,761)	10,555
Fund balance - beginning of year	42,014	42,014	42,014	-
Fund balance - end of year	\$ 29,985	\$ 16,698	\$ 27,253	\$ 10,555

See Accompanying Notes to Financial Statements

City of New Buffalo
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds		Debt Service Fund			Capital Projects Funds					Total Nonmajor Govern- mental Funds
	Harbor Dredging	Park Fund	Special Assess- ment	Michigan Transport- ation	GO Bond Debt	Capital Improve- ment	Equip- ment Purchase	Park Beautifi- cation	Building Authority	Trans- portation Improve- ment	
Assets											
Cash and cash equivalents	\$ 83,989	\$ 37,025	\$ 87,900	\$ 12,963	\$ 35,138	\$ 186,707	\$ 233,076	\$ 300	\$ 74,617	\$ 6,300	\$ 758,015
Receivables											
Customers	-	9,218	-	-	-	-	-	-	-	-	9,218
Special assessments	-	-	28,515	-	-	-	-	-	-	-	28,515
Due from other funds	-	-	-	16,998	-	24,000	-	-	27,993	6,141	75,132
Prepaid items	-	12,665	-	-	-	-	-	-	-	-	12,665
Special assess- ments receivable - deferred	-	-	200,066	-	-	-	-	-	-	-	200,066
 Total assets	<u>\$ 83,989</u>	<u>\$ 58,908</u>	<u>\$ 316,481</u>	<u>\$ 29,961</u>	<u>\$ 35,138</u>	<u>\$ 210,707</u>	<u>\$ 233,076</u>	<u>\$ 300</u>	<u>\$ 102,610</u>	<u>\$ 12,441</u>	<u>\$ 1,083,611</u>

See Accompanying Notes to Financial Statements

City of New Buffalo
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds		Debt Service Fund			Capital Projects Funds					Total Nonmajor Govern- mental Funds
	Harbor Dredging	Park Fund	Special Assess- ment	Michigan Transport- ation	GO Bond Debt	Capital Improve- ment	Equip- ment Purchase	Park Beautifi- cation	Building Authority	Trans- portation Improve- ment	
Liabilities											
Accounts payable	\$ -	\$ 12,230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,230
Accrued and other liabilities	-	4,082	-	-	-	-	-	-	-	-	4,082
Due to other funds	-	-	-	-	34,175	16,998	-	-	-	8,298	59,471
Deferred revenue	-	-	228,581	-	-	-	-	-	-	-	228,581
Total liabilities	-	16,312	228,581	-	34,175	16,998	-	-	-	8,298	304,364
Fund Balances											
Reserved for:											
Debt service	-	-	87,900	29,961	963	-	-	-	-	-	118,824
Unreserved											
Undesignated	83,989	42,596	-	-	-	193,709	233,076	300	102,610	4,143	660,423
Total fund balances	83,989	42,596	87,900	29,961	963	193,709	233,076	300	102,610	4,143	779,247
Total liabilities and fund balances	\$ 83,989	\$ 58,908	\$ 316,481	\$ 29,961	\$ 35,138	\$ 210,707	\$ 233,076	\$ 300	\$ 102,610	\$ 12,441	\$ 1,083,611

See Accompanying Notes to Financial Statements

City of New Buffalo
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds		Debt Service Fund			Capital Projects Funds					Total Nonmajor Govern- mental Funds
	Harbor Dredging	Park Fund	Special Assess- ment	Michigan Transport- ation	GO Bond Debt	Capital Improve- ment	Equip- ment Purchase	Park Beautifi- cation	Building Authority	Trans- portation Improve- ment	
Revenues											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 35,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,340
Charges for services	-	227,820	-	-	-	-	-	-	-	-	227,820
Interest income	3,082	317	24,177	96	340	4,288	4,686	(1)	1,943	1,047	39,975
Other revenue	8,750	11,952	31,330	-	-	-	-	-	-	-	52,032
Total revenues	<u>11,832</u>	<u>240,089</u>	<u>55,507</u>	<u>96</u>	<u>35,680</u>	<u>4,288</u>	<u>4,686</u>	<u>(1)</u>	<u>1,943</u>	<u>1,047</u>	<u>355,167</u>
Expenditures											
Current											
General											
government	-	-	-	-	-	-	1,484	-	-	5,860	7,344
Public safety	-	-	-	-	-	-	8,758	-	-	-	8,758
Recreation and culture	-	287,755	-	-	-	-	-	-	-	-	287,755
Capital outlay	-	-	-	-	-	-	134,808	-	-	306,044	440,852
Debt service											
Principal retirement	-	9,338	30,000	15,000	35,000	-	13,500	-	65,000	-	167,838
Interest and fiscal charge	-	348	19,043	9,625	1,325	-	4,397	-	60,280	-	95,018
Total expend- itures	<u>-</u>	<u>297,441</u>	<u>49,043</u>	<u>24,625</u>	<u>36,325</u>	<u>-</u>	<u>162,947</u>	<u>-</u>	<u>125,280</u>	<u>311,904</u>	<u>1,007,565</u>

See Accompanying Notes to Financial Statements

City of New Buffalo
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds		Debt Service Fund			Capital Projects Funds					Total Nonmajor Govern- mental Funds
	Harbor Dredging	Park Fund	Special Assess- ment	Michigan Transport- ation	GO Bond Debt	Capital Improve- ment	Equip- ment Purchase	Park Beautifi- cation	Building Authority	Trans- portation Improve- ment	
Excess (deficiency) of revenues over expend- itures	\$ 11,832	\$(57,352)	\$ 6,464	\$(24,529)	\$ (645)	\$ 4,288	\$(158,261)	\$ (1)	\$(123,337)	\$(310,857)	\$(652,398)
Other financing sources (uses)											
Transfers in	4,718	70,000	-	24,446	-	24,000	120,000	-	122,570	-	365,734
Transfers out	-	(4,718)	-	-	-	(24,446)	-	-	-	-	(29,164)
Bond/note proceeds	-	-	-	-	-	-	60,000	-	-	315,000	375,000
Total other financing sources and uses	4,718	65,282	-	24,446	-	(446)	180,000	-	122,570	315,000	711,570
Net change in fund balance	16,550	7,930	6,464	(83)	(645)	3,842	21,739	(1)	(767)	4,143	59,172
Fund balance - beginning of year	67,439	34,666	81,436	30,044	1,608	189,867	211,337	301	103,377	-	720,075
Fund balance - end of year	<u>\$ 83,989</u>	<u>\$ 42,596</u>	<u>\$ 87,900</u>	<u>\$ 29,961</u>	<u>\$ 963</u>	<u>\$ 193,709</u>	<u>\$ 233,076</u>	<u>\$ 300</u>	<u>\$ 102,610</u>	<u>\$ 4,143</u>	<u>\$ 779,247</u>

See Accompanying Notes to Financial Statements

City of New Buffalo
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Total
Governmental Activities				
2000 Special Assessment Bonds	5.30%	06/01/07	\$ 30,000	\$ 30,000
Date of issue: 4-1-00	5.35%	06/01/08	35,000	35,000
Amount of issue: \$495,000	5.40%	06/01/09	30,000	30,000
	5.50%	06/01/10	30,000	30,000
	5.55%	06/01/11	30,000	30,000
	5.60%	06/01/12	35,000	35,000
	5.65%	06/01/13	30,000	30,000
	5.75%	06/01/14	30,000	30,000
	5.85%	06/01/15	15,000	15,000
	5.90%	06/01/16	10,000	10,000
	6.00%	06/01/17	10,000	10,000
	6.00%	06/01/18	15,000	15,000
	6.00%	06/01/19	10,000	10,000
				<u>310,000</u>
1996 Building Authority Bonds	4.875%	09/01/06	70,000	70,000
Date of issue: 1-1-97	4.875%	09/01/07	75,000	75,000
Amount of issue: \$1,515,000	4.90%	09/01/08	80,000	80,000
	5.00%	09/01/09	85,000	85,000
	5.10%	09/01/10	90,000	90,000
	5.20%	09/01/11	95,000	95,000
	5.25%	09/01/12	100,000	100,000
	5.30%	09/01/13	110,000	110,000
	5.35%	09/01/14	115,000	115,000
	5.40%	09/01/15	120,000	120,000
	5.40%	09/01/16	130,000	130,000
				<u>1,070,000</u>

City of New Buffalo
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Total
Michigan Transportation Fund Bonds, Series 2003	2.00%	12/01/06	\$ 15,000	\$ 15,000
Date of issue: 7-15-03	2.20%	12/01/07	15,000	15,000
Amount of issue: \$155,000	2.50%	12/01/08	15,000	15,000
	2.80%	12/01/09	15,000	15,000
	3.20%	12/01/10	15,000	15,000
	3.40%	12/01/11	15,000	15,000
	3.60%	12/01/12	15,000	15,000
	3.70%	12/01/13	20,000	20,000
				<u>125,000</u>
Installment Purchase Agreement	3.30%	11/01/06	2,500	<u>2,500</u>
Date of agreement: 10-11-02				<u>2,500</u>
Amount of agreement: \$10,000				
Equipment Lease Purchase Agreement	3.25%	09/10/06	13,500	13,500
Date of agreement: 9-10-03	3.25%	09/10/07	13,500	13,500
Amount of agreement: \$135,000	3.25%	09/10/08	13,500	13,500
	3.25%	09/10/09	13,500	13,500
	3.25%	09/10/10	13,500	13,500
	3.25%	09/10/11	13,500	13,500
	3.25%	09/10/12	13,500	13,500
	3.25%	09/10/13	13,500	13,500
				<u>108,000</u>

City of New Buffalo
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Total
Michigan Transportation Fund Bonds, Series 2005	3.55%	10/01/06	\$ 25,000	\$ 25,000
Date of agreement: 11/1/05	3.60%	10/01/07	30,000	30,000
Amount of agreement: \$315,000	3.75%	10/01/08	30,000	30,000
	3.90%	10/01/09	30,000	30,000
	4.10%	10/01/10	30,000	30,000
	4.20%	10/01/11	30,000	30,000
	4.30%	10/01/12	35,000	35,000
	4.40%	10/01/13	35,000	35,000
	4.50%	10/01/14	35,000	35,000
	4.65%	10/01/15	35,000	35,000
				<u>315,000</u>
Installment Purchase Agreement	3.75%	07/15/06	11,133	11,133
Date of agreement: 7/15/05	3.75%	07/15/07	11,551	11,551
Amount of agreement: \$60,000	3.75%	07/15/08	11,984	11,984
	3.75%	07/15/09	12,433	12,433
	3.75%	07/15/10	12,899	12,899
				<u>60,000</u>

City of New Buffalo
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Total
Installment Purchase Agreement	4.83%	03/10/07	\$ 20,691	\$ 20,691
Date of agreement: 3/10/06	4.83%	03/10/08	21,690	21,690
Amount of agreement: \$672,000	4.83%	03/10/09	22,738	22,738
	4.83%	03/10/10	23,836	23,836
	4.83%	03/10/11	24,987	24,987
	4.83%	03/10/12	26,194	26,194
	4.83%	03/10/13	27,460	27,460
	4.83%	03/10/14	28,786	28,786
	4.83%	03/10/15	30,176	30,176
	4.83%	03/10/16	31,634	31,634
	4.83%	03/10/17	33,162	33,162
	4.83%	03/10/18	34,763	34,763
	4.83%	03/10/19	36,442	36,442
	4.83%	03/10/20	38,203	38,203
	4.83%	03/10/21	271,238	271,238
				<u>672,000</u>
Less deferred amounts				<u>(2,120)</u>
Total governmental activities				<u>2,660,380</u>

City of New Buffalo
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Total
Business-type Activities				
Limited Tax General Obligation Bonds, Series 2003	2.40%	11/01/06	\$ 85,000	\$ 85,000
Date of issue: 9-30-03	2.75%	05/01/07	85,000	85,000
Amount of issue: \$1,520,000	2.75%	11/01/07	85,000	85,000
	3.20%	05/01/08	90,000	90,000
	3.20%	11/01/08	90,000	90,000
	3.50%	05/01/09	90,000	90,000
	3.50%	11/01/09	90,000	90,000
	3.95%	05/01/10	95,000	95,000
	3.95%	11/01/10	95,000	95,000
	4.15%	05/01/11	100,000	100,000
	4.15%	11/01/11	100,000	100,000
	4.30%	05/01/12	105,000	105,000
				<u>1,110,000</u>
Less deferred amounts				<u>(70,201)</u>
Total business-type activities				<u>1,039,799</u>
Total indebtedness				<u><u>\$ 3,700,179</u></u>